



House of Representatives

File No. 754

General Assembly

January Session, 2003

(Reprint of File Nos. 43 and 596)

Substitute House Bill No. 6377
As Amended by House Amendment
Schedules "B" and "C"

Approved by the Legislative Commissioner
May 22, 2003

AN ACT CONCERNING FINANCIAL OVERSIGHT OF INSURERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 38a-8 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2003*):

4 (d) The commissioner shall develop a program of periodic review to
5 ensure compliance by the Insurance Department with the minimum
6 standards established by the National Association of Insurance
7 Commissioners for effective financial surveillance and regulation of
8 insurance companies operating in this state. The commissioner shall
9 adopt regulations, in accordance with the provisions of chapter 54,
10 pertaining to the financial surveillance and solvency regulation of
11 insurance companies and health care centers as are reasonable and
12 necessary to obtain or maintain the accreditation of the Insurance
13 Department by the National Association of Insurance Commissioners.
14 The commissioner shall maintain, as confidential, any confidential
15 documents or information received from the National Association of

16 Insurance Commissioners, or the International Association of
17 Insurance Supervisors, or any documents or information received from
18 state or federal insurance, banking or securities regulators or similar
19 regulators in a foreign country which are confidential in such
20 jurisdictions. The commissioner may share any information, including
21 confidential information, with the National Association of Insurance
22 Commissioners, the International Association of Insurance
23 Supervisors, or state or federal insurance, banking or securities
24 regulators or similar regulators in a foreign country so long as the
25 commissioner determines that such entities agree to maintain the same
26 level of confidentiality in their jurisdiction as is available in this state.
27 The commissioner may engage the services of, at the expense of a
28 domestic, alien or foreign insurer, attorneys, actuaries, accountants
29 and other experts not otherwise part of the commissioner's staff as may
30 be necessary to assist the commissioner in the financial analysis of the
31 insurer, the review of the insurer's license applications, and the review
32 of transactions within a holding company system involving an insurer
33 domiciled in this state. No duties of a person employed by the
34 Insurance Department on November 1, 2002, shall be performed by
35 such attorney, actuary, accountant or expert.

This act shall take effect as follows:	
Section 1	October 1, 2003

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Insurance Dept.	IF - Net Impact	None	None

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill results in no net impact on the Insurance Fund. The Insurance Fund is the source of funding for the Department of Insurance (DOI).

Although the bill allows the DOI to utilize the services of certain experts when examining insurers, the costs of the consultants would be borne by the insurer being examined. It is anticipated that these consultants would be required two - three times per year.

The bill also prohibits DOI from utilizing these consultants in order to perform duties of DOI staff that were employed as of 11/1/02. Since it is anticipated that the consultants that would be needed would be performing expert work that was not available in the DOI on that date, there would be no fiscal impact.

House "B" eliminated the confidentiality and information sharing provisions contained in the original bill and did not result in a fiscal impact.

House "C" added the prohibition on employing certain outside consultants to perform the duties of DOI staff and did not result in a fiscal impact.

OLR Bill Analysis

sHB 6377 (as amended by House "B" and "C")*

AN ACT CONCERNING FINANCIAL OVERSIGHT OF INSURERS**SUMMARY:**

The bill authorizes the insurance commissioner to use the services of attorneys, actuaries, accountants, and other experts necessary to help her (1) conduct a financial analysis of an insurer, (2) review an insurer's license application, or (3) review transactions within an insurance holding company system domiciled in Connecticut. The use of outside experts is authorized only when they are not otherwise available on the commissioner's staff. The bill prohibits any such outside attorney, actuary, accountant, or expert from performing the duties of any person employed by the Insurance Department on November 1, 2002. The domestic, out-of-state, or foreign insurer subject to the examination or review must pay the cost of these experts.

*House Amendment "B" eliminates the original bill's (1) expanded authority for the commissioner to maintain, as confidential, any document, material or information received from the National Association of Insurance Commissioners or the International Association of Insurance Supervisors and (2) added authority to maintain, as confidential, any document, material, or information received from law enforcement officials from this state or other jurisdictions when they are confidential by law in those jurisdictions.

*House Amendment "C" adds the provision prohibiting outside experts from performing any duties Insurance Department employees performed on November 1, 2002.

EFFECTIVE DATE: October 1, 2003

BACKGROUND***Legislative History***

On March 25, the House referred the bill to the Judiciary Committee.

On April 16, the committee reported the substitute bill, which eliminated the original bill's subpoena exemption for confidential documents, material, or information received from state, national, and foreign regulatory and law enforcement agencies. On May 6, the House referred the bill to the Government Administration and Elections Committee, which reported it favorably.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 14 Nay 0

Judiciary Committee

Joint Favorable Substitute

Yea 41 Nay 0

Government Administration and Elections Committee

Joint Favorable Report

Yea 19 Nay 0